

Message Text

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AMEMBASSY TAIPEI

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C O N F I D E N T I A L STATE 282284

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, EEWT, PLOS, CH, TW, JA, US

SUBJECT: PLANS TO DRILL FOR OIL IN DISPUTED WATERS

REF: TAIPEI 0337 (NOTAL)

1. STANLEY LUBMAN, A WASHINGTON-BASED CHINA TRADE CONSULTANT, VISITED EA/PRCM ON DECEMBER 18 TO TELL US THAT HE HAS BEEN RETAINED BY THE SUPERIOR OIL COMPANY OF HOUSTON, TEXAS IN CONNECTION WITH THE FIRM'S DESIRE TO DRILL AN EXPLORATORY OIL WELL ON THE EAST CHINA SEA CONTINENTAL SHELF EAST-SOUTHEAST OF SHANGHAI.

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2. THE PROPOSED SITE FOR DRILLING IS 29 DEG. 17 MIN.

N. LATITUDE AND 125 DEG. 29.5 MIN. E. LONGITUDE, ABOUT 145 NAUTICAL MILES FROM THE NEAREST ISLANDS OFF THE PRC COAST. SITE IS IN CLINTON CONCESSION IN ROC BLOCK 4, BUT ALSO IN JAPANESE CONCESSION ZONE J-II. POSITION APPEARS ALSO TO BE WEST OF HYPOTHETICAL MEDIAN LINE BETWEEN PRC AND RYUKYU CHAIN.

3. SUPERIOR APPARENTLY HAS OBTAINED DRILLING RIGHTS FROM CLINTON, WITH USUAL SHARE REVERTING TO CHINESE PETROLEUM CORPORATION (CPC) IN THE EVENT OF AN EXPLOITABLE FIND (SEE REFTTEL). ACCORDING TO LUBMAN, SUPERIOR HOPES TO BEGIN DRILLING BY MARCH, WHICH WE UNDERSTAND INDEPENDENTLY IS THE DEADLINE UNDER CLINTON'S CONTRACT WITH THE ROC.

4. NOTWITHSTANDING ROC CONCESSION, SUPERIOR ALSO WISHES TO ASCERTAIN THE REACTION OF PRC AUTHORITIES BEFORE DECIDING FINALLY WHETHER TO PROCEED. LUBMAN WAS RETAINED TO DRAFT A LETTER TO PRC AUTHORITIES SEEKING PERMISSION TO DRILL AND OFFERING TO COOPERATE IN SHARING INFORMATION WITH THEM; TO ARRANGE A MEETING BETWEEN SUPERIOR OFFICIALS AND APPROPRIATE PRCLO OFFICERS; AND TO SOUND OUT USG OPINION.

5. WE BRIEFED LUBMAN ON THE PRC POSITION ON OFFSHORE OIL, WITH SPECIAL REFERENCE TO CH'IAO KUAN-HUA'S UNCOMPROMISING SPEECH APRIL 1 AT THE ECAFE MEETING IN COLOMBO. WE ALSO REITERATED TO HIM THE USG POSITION ON SURVEYING OR DRILLING IN DISPUTED WATERS ON THE NORTH ASIAN CONTINENTAL SHELF WHICH ARE CLAIMED BY THE PRC AND OTHER COUNTRIES, AND URGED THAT HE ACQUAINT HIS PRINCIPALS WITH THESE FACTORS BEFORE PROCEEDING FURTHER.

6. LUBMAN SAID HE WOULD DO SO, BUT THAT HE BELIEVED SUPERIOR WOULD STILL WANT TO HAVE HIM GET IN TOUCH WITH PRCLO. IN THAT EVENT, HE SAID, HE WOULD FEEL OBLIGED TO DO SO, AND EXPECTED TO BE SEEKING AN APPOINTMENT SOON AFTER THE FIRST OF THE YEAR.

7. LUBMAN INTENDS TO HAVE SUPERIOR OFFICIALS MEET WITH APPROPRIATE DEPTOFFS BEFORE PRCLO MEETING, TO RECEIVE

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DIRECTLY AN AUTHORITATIVE STATEMENT OF USG POSITION. HE REPEATED SEVERAL TIMES THAT HE BELIEVED THAT SUPERIOR WOULD ABANDON THE DRILLING PLAN IF THE PRC REACTION IS NEGATIVE. WE SAID WE WERE SURE IT WOULD BE, AND WONDERED WHAT WAS TO BE GAINED BY CONSULTING THE PRC UNDER THESE CONDITIONS. LUBMAN REPLIED THAT SUPERIOR SEEMS SERIOUS ABOUT WANTING TO DRILL, BUT IS A VERY CONSERVATIVE COMPANY WHOSE MANAGEMENT WISHES TO COVER ALL POSSIBLE

SOURCES OF TROUBLE BEFORE PROCEEDING.

8. COMMENT: DESPITE LUBMAN'S VIEW, WE WONDER IF SUPERIOR IS REALLY LOOKING FOR A WAY OUT OF ITS DEAL WITH CLINTON. CLINTON OFFICIALS IN DISCUSSION WITH DEPTOFFS (REFTEL) IN APRIL 1973 REFLECTED DOUBT THAT IN VIEW OF CONFLICTING CLAIMS COMPANY WOULD BE ABLE TO TAKE OIL OUT OF ZONE 4, EVEN IF ANY WERE FOUND. WE HOPE TO HAVE BETTER READING ON SUPERIOR MOTIVES AFTER MEETING EARLY NEXT YEAR.

9. SENSITIVE COMMERCIAL INFORMATION.
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